

Message Text

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USCINCSO

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E.O. 11652: GDS

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SUBJECT: SHIFTING POWER IN PERU

SUMMARY. PRIMARILY BECAUSE OF DOUBT CONCERNING THE HEALTH OF PRESIDENT VELASCO, THERE HAS BEEN INCREASING SPECULATION ABOUT A SHIFT OF POWER FROM PRESIDENT VELASCO TO PRIME MINISTER MORALES BERMUDEZ. ALTHOUGH RUMORS OF AN ABRUPT SHIFT, PALACE COUP OR AT LEAST SIMI-FORCED RETIREMENT OF PRESIDENT VELASCO EXIST, THE EMBASSY CONSIDERS IT MORE LIKELY (BARRING RAPID DETERIORATION OF VELASCO'S HEALTH) THAT THE TRANSFER OF POWER WILL BE A GRADUAL PROCESS WITH A FLOW OF POWER FROM PRESIDENT TO PRIME MINISTER. END SUMMARY.

1. A COMBINATION OF EVENTS SINCE THE FEBRUARY ASSUMPTION OF THE PRIME MINISTERSHIP BY GENERAL MOREALES BERMUDEZ HAS LED TO INCREASING SPECULATION THAT A SHIFT OF POWER FROM PRESIDENT VELASCO TO PRIME MINISTER MOREALES BERMUDEZ IS TAKING PLACE. THE FEBRUARY RIOTS, CONTINUED UNCERTAINTY ABOUT THE PHYSICAL AND MENTAL CONDITION OF PRESIDENT VELASCO, DIMMING ECONOMIC PROSPECTS, ESPECIALLY IN THE PETROLEUM AREA, AND DIFFICULT CURRENT ECONOMIC AND LABOR SITUATION MAKE IT NECESSARY
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FOR THE GOP TO EXERT MORE FORCEFUL LEADERSHIP THAN PRESIDENT VELASCO IS BELIEVED ABLE TO OFFER, AND HAS LED TO SPECULATION THAT PRIME MINISTER MORALES BERMUDEZ IS STEPPING INTO THE BREACH.

2. PRIME MINISTER MORALES BERMUDEZ HAS BEEN CAREFUL TO DEFER TO PRESIDENT VELASCO AND HAS ENGAGED IN NO USURPATION OF PRESIDENTIAL PREROGATIVES. YET THE FACT THAT HE, WITH THE ASSISTANCE OF SELECTED MINISTERS, HAS BEEN CARRYING OUT VISIBLE PRESS CONFERENCE-TYPE "DIALOGUES WITH THE PEOPLE" AND REPORTS THAT HE SET UP AN "ECONOMIC POLICY COUNCIL" COMPOSED OF SEVERAL MINISTERS, WHICH ACCORDING TO SOME HAS DIMINISHED THE IMPORTANCE OF THE PRESIDENTIAL ADVISORY COUNCIL (COAP), TEND TO ENHANCE THE POSITION OF MORALES BERMUDEZ AT VELASCO'S EXPENSE. THE EMBASSY ALSO UNDERSTANDS THAT MOREALES BERMUDEZ IS BEGINNING TO ACT ON QUESTIONS OF PERSONNEL OR PATRONAGE FORMERLY RESERVED FOR VELASCO.

3. RECENT STATEMENTS BY MORALES BERMUDEZ ON THE NEED TO ELIMINATE SUBSIDIES, WHICH UP TO NOW HAVE BEEN A PILLAR OF "VELASQUISTA" POLICY, AND RUMORS THAT NEW ECONOMIC AUSTERITY MEASURES POSSIBLY INCLUDING DEVALUATION ARE IMMINENT, ALSO SERVE TO INCREASE SPECULATION ON A POSSIBLE FLOW OF POWER FROM PRESIDENT VELASCO TO PRIME MINISTER MORALES BERMUDEZ.

4. THE CONDITION OF PRESIDENT VELASCO'S HEALTH IS THE KEY TO ANY SUDDEN OR DRAMATIC POWER TRANSFER. WERE HE IN GOOD HEALTH, THERE IS NO QUESTION BUT THAT HE WOULD CURRENTLY BE BEYOND CHALLENGE, EITHER DIRECT OR INDIRECT. BUT PRESIDENT VELASCO'S ILL HEALTH HAS FORCED HIM TO WITHDRAW FROM HIS MORE ACTIVE PACE OF 1974. HIS PRESENCE AT THE JUNE 7 PATRIOTIC CEREMONIES WAS HIS FIRST PUBLIC APPEARANCE IN FOUR MONTHS. IT HAS ALSO BEEN MONTHS SINCE HE HELD ONE OF HIS FAMOUS FREE-WHEELING PRESS CONFERENCES. THAT HE WORKS A FULL DAY IS DOUBTFUL. INDEED, IT IS GENERALLY SAID THAT HIS PARTICIPATION IN COUNCIL OF MINISTERS MEETINGS, AT LEAST DURING MARCH AND APRIL, WAS MINIMAL. IN SPITE OF APPEARING TO BE IN RELATIVELY GOOD HEALTH ON JUNE 7 (VELASCO IN FACT WALKED FROM HIS CAR TO THE REVIEWING STAND), RUMORS ABOUT HIS MENTAL AND PHYSICAL CONDITION PERSIST.

5. IT IS NATURAL IN PERU THAT ANY DISCUSSION OF POWER SHIFTS
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AND EROSION OF PRESIDENTIAL INFLUENCE WILL INCLUDE RUMORS OF COUP PLOTS AND A SHOWDOWN BETWEEN PRINCIPALS. ALONG WITH AND RELATING TO CONTINUING RUMORS OF IMPENDING ECONOMIC DECISIONS AND POSSIBLE DEVALUATION (THE LATTER A MEASURE VELASCO HAS CONSISTENTLY AND ADAMANTLY OPPOSED) SOME GUESSES ARE BEING MADE THAT MORALES BERMUDEZ WILL ACTUALLY ASSUME THE PRESIDENCY, PERHAPS BEFORE THE JULY 28 NATIONAL CELEBRATIONS. ALTHOUGH IT IS POSSIBLE THAT VELASCO COULD RETIRE IN GLORY OR BE RETIRED UNDER LESS THAN VOLUNTARY CONDITIONS, THE EMBASSY CONSIDERS THAT SHOULD VELASCO'S HEALTH REMAIN STABLE THE TRANSFER OF POWER WILL BE A GRADUAL PROCESS. THERE ARE SEVERAL REASONS FOR THIS.

6. FIRST, VELASCO'S IMAGE, HAMMERED INTO THE PERUVIAN CONSCIOUSNESS DAILY BY THE MEDIA, AS FATHER OF THE REVOLUTION, MAKES HIM ALMOST UNCHALLENGEABLE. IT WOULD ILL-BEHOOVE ANY ARMY GENERAL TO DEPOSE VELASCO AND EXPOSE HIMSELF TO POSSIBLE MILITARY DISSENSION AND CIVILIAN REACTION. COUPS CAN BE CONTAGIOUS.

7. SECONDLY, SUCH ACTION MAY BE UNNECESSARY IF VELASCO, COUNSELLED BY FAMILY AND DOCTORS, WITHDRAWS VOLUNTARILY FROM MUCH OF DAY-TO-DAY DECISION-MAKING. THIS TO SOME EXTENT IS HAPPENING AND, INsofar AS VELASCO'S PARTICIPATION IN THE DECISION-MAKING PROCESS IS ERRATIC OR SPORADIC, HIS DECLINING ABILITY AUTOMATICALLY CONTRIBUTES TO THE SLOW ACCRETION OF POWER BY MORALES BERMUDEZ. EVEN THOUGH SUCH POWER MUST BE EXERCISED CAUTIOUSLY TO AVOID VELASCO REACTION.

THE PRIME MINISTER IS SAID TO NOW HAVE THE SOLID SUPPORT OF KEY GENERALS WHO EXPECT HIM TO ENSURE THAT NECESSARY GOVERNMENTAL DECISIONS ARE TAKEN. YET VELASCO STILL SEEMS TO RESERVE FOR HIMSELF CERTAIN CONTROVERSIAL DECISIONS-- THE GULF EXPROPRIATION IS A PROBABLY EXAMPLE -- AND HE COULD RE-ASSERT HIMSELF AT ANY TIME ON OTHER KEY ISSUES. THUS, AT THIS STAGE THERE SEEMS TO BE UNSTABLE BALANCE IN THE POWER EQUATION. IF IT IS TRUE THAT MORALES BERMUDEZ CAN NOT ENGAGE IN FRONTAL CHALLENGE TO VELASCO, NEITHER CAN VELASCO WITH IMPUNITY REMOVE MORALES BERMUDEZ.

8. AT SOME TIME, PERHAPS SOON, THE POINT MAY BE REACHED WHERE VELASCO WILL BE OVERRULED ON SOME POLICY ISSUE BY PRIME MINISTER
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MORALES BERMUDEZ AND THE COUNCIL OF MINISTERS. THAT EVENT WOULD, OF COURSE, BE EVIDENCE THAT A MAJOR TRANSFER OF POWER HAD TAKEN PLACE. FROM THAT POINT ON THE FLOW OF POWER FROM VELASCO TO MORALES BERMUDEZ WOULD BE MUCH MORE RAPID. THE COMPOSITION OF EXPECTED ECONOMIC AUSTERITY MEASURES COULD SIGNAL SUCH A SHIFT. IT SHOULD BE NOTED THAT MORALES BERMUDEZ IS CIRCUMSCRIBED AS PART OF THE REVOLUTIONARY TEAM OF GENERALS AND EVEN WITH VELASCO OUT OF THE PICTURE, HE WOULD NOT NECESSARILY, OR AT LEAST INITIALLY, HAVE THE AUTHORITY VELASCO EXERCISED. ALSO FUTURE POWER STRUGGLE BETWEEN MODERATE AND MORE RADICAL GENERALS CANNOT BE RULED OUT AND THERE IS NO ASSURANCE THAT MORALES BERMUDEZ WOULD COME OUT ON TOP IN SUCH A CASE.

9. RATHER THAN A PALACE COUP, THE MOST LIKELY DENOUEMENT OF THE GRADUAL DE FACTO TRANSFER OF DECISION-MAKING WHICH APPEARS TO BE TAKING PLACE WOULD BE CO-EXISTENCE OF MORALES BERMUDEZ AND VELASCO UNTIL THE RETIREMENT OR DEATH OF THE LATTER. THE POWER OF PRIME MINISTER ACTING IN COUNCIL WOULD BE GREATLY ENHANCED ON A DE FACTO BASIS, AT LEAST TEMPORARILY, WHILE PRESIDENT VELASCO'S ROLE BECOMES MORE CEREMONIAL -- AS THE REVOLUTION'S FATHER FIGURE -- WHO PERHAPS RETAINS A VETO POWER OVER MAJOR DECISIONS.

10. SUCH A SCENARIO AVOIDS OPEN CONFRONTATION AND THE
THREAT THAT WOULD PORTEND FOR GOP STABILITY.
VELASCO REMAINS IN HIS PRESENT POSITION BUT PROGRESSIVELY LESS
INVOLVED IN IMPORTANT DELIBERATIONS. NO ONE RULES OUT, OF COURSE
THE POSSIBILITY THAT VELASCO MIGHT FROM TIME TO TIME ASSERT
HIS WILL AND DETERMINE KEY DECISIONS, BUT
THE LIKELIHOOD IS THAT WITH THE PASSAGE OF TIME HE WILL BE
LESS ABLE TO CARRY THE DAY AS POWER PASSES TO MORALES BERMUDEZ
AND THE OTHER "REVOLUTIONARY" GENERALS.
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